

A Snapshot of Hopedale's Financial Position

April 2023

What is the schedule for the Town Election, Town Meetings and Special Election to be held at the High School?

The Annual Town Election is on May 9th from 7AM to 8PM. The Annual and Special Town Meetings are on May 16th at 7:00 PM. The Special Election is on May 23rd from 7AM to 8 PM.

Why will there be a Special Election on May 23rd?

The proposed annual budget has a gap between project revenues and projected expenses of almost \$1,866,000. In order to balance the budget, the recommendation is to reduce the School budget request by over \$1,000,000, close the Library, Senior Center, and Parks programs along with several other reductions in the requested budgets. The Special Election is to consider an Override of \$1,350,000 to restore funding to the School budget and keep the Library, Senior Center, and Parks open.

How are Hopedale's Annual Revenues Determined?

Property tax revenues are controlled by a 1980 law called Proposition 2 ½. Generally, it allows property tax revenues to growth by 2.5% per year. Along with other revenues, the average annual total increase in revenues is between 3% – 4% which, in Hopedale's case, is about \$700,000 - \$750,000 per year in additional revenues. The town's proposed Fiscal FY24 annual budget effective July 1 is about \$27,500,000. This is about a \$857,000 increase in revenues over this year's budget.

Why is There a Gap Between Projected FY24 Revenue and Expenses?

Unfortunately, between the voters using Free Cash to balance this year's budget and the increase in the amount of funds needed to keep the same level of Town and School services for next year, projected FY24 expenses exceed revenues by almost \$1,900,000.

Hopedale is not unique in this matter. Communities across the Commonwealth have faced this issue over and over since 1980.

The other matter that has put Hopedale in this difficult financial position is the fact the town has been balancing its annual budget with "Free Cash". Simply put, these are funds that are left over from the year before. While using a small amount of Free Cash from time to time may be ok, overall, it is a poor financial practice.

Think of it this way. Your company gives you a bonus that you use to pay your utility bills, next year you don't get the bonus, but you still must pay your bills. In other words,

your yearly expenses exceed your yearly income so you did the best you could to get by using the bonus but now you face an even bigger problem. Something must give. You need to cut some expenses or earn extra income. Hopedale is in the same situation. We have been living off the “bonus” but now is the time to phase out this practice.

How Should Free Cash be Used?

By using our “bonus” to pay our monthly bills we have not addressed other issues, specifically our capital needs. Just like at home things wear out. The roofs, vehicles, the parks, roads, and sidewalks, etc. all need to be replaced from time to time. Using Free Cash to replace some of these items is the sound financial approach used by communities across the Commonwealth. In a year we get a “bonus” (Free Cash) we can replace items. In a year we don’t we can hold off but still pay our monthly bills.

What Will be the Result of this Change?

The Town Meeting must adopt a balanced budget. Unfortunately, either cuts must be made (Schools, Library, Council on Aging, Parks, other budgets) or there must be an increase in income (Override). There are no pleasant choices, but the long-term fiscal health of the community will be better served by either cutting expenses or increasing revenue.

Why Recommend Cutting the School Budget and Eliminating the Library, Council of Aging and Parks Departments?

Many of the positions in Town government are required by law. For example, Town Clerk, Treasurer, Assessor, Board of Health, Inspectors, along with the Boards and Committees. These all have very limited staff and further cuts will compromise their ability to correctly do their jobs. The Public Safety departments have minimal staffing as well. If we reduced the Fire Department budget by cutting positions, the revenue generated by the ambulance service would decline, offsetting the savings.

Reducing the Police Department budget would result in only one officer on the streets for some shifts, which is very dangerous for the public and the officer. Alternatively, shifts could be filled with overtime which, of course, is costly.

If we reduce personnel in the Highway Department, there are so few laborers already the only choice would be to lay off the mechanic. We would then have to outsource all repairs costing the town more money than we save and compromising the Department’s ability to respond during snowstorms or other emergency events if equipment breaks down, as there would be no one on hand to perform repairs.

As a result, this leaves only a few budgets that can be reduced for the Town Meeting to approve a balanced budget.

Will the Voters Have any Choice in this Proposal?

Yes. The Annual Town Meeting on May 16th decides on the Fiscal Year 2024 annual budget. There will be two options presented. The first is a Balanced Budget that recommends reductions in the School, Library, Council on Aging, Parks, and many other budgets. There will also be a Contingent Budget presented that restores the Schools, Library, Council on Aging and Parks while leaving other proposed reductions in place to balance the budget.

If the Contingent Budget is approved by the Town Meeting it must also be approved via a Proposition 2½ Override by the voters at the Special Election on May 23rd. The Override question will request an additional \$1,350,000 of property taxes to maintain the School, Library, Council on Aging and Parks. If the Override is approved by the voters, the Contingent Budget will take effect on July 1. If the voters do not approve the Override, the Balanced Budget will take effect on July 1.

How Much Will my Property Taxes Increase if the Override is Approved?

The average home in Hopedale has an assessed value of about \$450,000. It is estimated that the override will increase the average property tax bill by \$562 a year. If your home has a lower or higher assessed value than \$450,000 then your tax increase would be adjusted accordingly. This estimate is for Override only and does not include the average annual increase in your tax bill.

Can the Town Institute Changes to Help Balance the Budget in the Future?

The Town can make some changes over time to help the situation, but it will not relieve the Town from facing this problem from time to time. There are some areas to be considered to help the long-term financial position of the town including:

- Adopting Fiscal Policies
- Formalizing the budget process
- Annually preparing a three-year fiscal forecast
- Annually preparing a clearly defined five-year capital plan.
- Negotiating a different share of health insurance cost between the employees/retirees and the Town
- Promoting commercial and industrial growth within the overall Master Plan

What is the bottom line?

The question for the voters at the Annual Town Meeting on May 16th and the Special Election on May 23rd is to decide is whether to cut expenses to balance the budget or increase revenues to continue to provide the same level of service that you enjoy today.

Background on the Proposed FY 24 Budget

This is a summary of the Fiscal Year 2024 Annual Town Budget, focusing on projected Revenues and Expenses, the resulting budget shortfall and associated community impacts.

PROJECTED INCREASES IN FY 24 AVAILABLE REVENUES:

The following increases are projected in the three main revenues sources:

| | |
|-----------------------------------------------------------------------|------------------|
| Property Taxes | \$604,000 |
| State Aid – This amount varies based on the Legislature (Preliminary) | \$34,000 |
| Local Receipts – From excise tax, fees, etc. | <u>\$119,000</u> |
| Sub-Total FY 24 increase in new revenue | \$757,000 |
| Proposed use of Free Cash for FY 24 budget | <u>\$100,000</u> |
| Total Additional Available Revenue for FY 24 | \$857,000 |

This represents an increase in Revenues of 3.1% from FY 23

PROJECTED INCREASES IN FY 24 EXPENSES:

The expenses associated with the following budgets are referred to as “fixed costs,” costs that are, typically, legally, or contractually mandated:

| | FY 23 | FY 24 | Change |
|-------------------------|--------------|--------------|------------------|
| Blackstone Valley Tech | \$730,214 | \$1,008,525 | \$278,311 |
| Debt and Interest | \$326,264 | \$345,123 | \$18,859 |
| Pension | \$1,318,475 | \$1,383,382 | \$64,907 |
| Unclassified, Insurance | \$4,560,841 | \$4,720,000 | <u>\$159,159</u> |

Increase in Fixed Costs \$521,236

Thus, of the \$857,000 in projected additional revenue, only \$335,764 is available for all other Town departments. Yet, anticipated budget increases – just to maintain existing services and staffing levels – far exceed this amount:

| | | | Change |
|------------------------|--------------|--------------------|----------------------|
| FY 24 BUDGET | FY23 | FY 24 Level | FY23 to FY 24 |
| GENERAL GOVERN | \$1,199,027 | \$1,358,153 | \$159,126 |
| PUBLIC SAFETY | \$3,325,540 | \$3,679,867 | \$354,327 |
| HOPEDALE SCHOOL SYSTEM | \$13,398,523 | \$13,970,866 | \$572,343 |

| | | | |
|----------------------|-------------|-------------|-------------------|
| PUBLIC WORKS | \$1,016,326 | \$1,176,431 | \$160,105 |
| HUMAN SERVICES | \$926,361 | \$932,921 | \$6,560 |
| CULTURE & RECREATION | \$417,424 | \$404,404 | <u>(\$13,020)</u> |
| | | | \$1,239,441 |

Please note that in the FY 24 Level Service budget above, no new employees are proposed except in the water department which is self-funding. Personnel cost increases result from agreed-upon collective bargaining agreements and/or wage increases in the small number of non-union employees. Further, the expense budgets reflect only anticipated cost increases in goods and services.

The FY 24 Level budget increase of \$1,237,441, minus the available revenues of \$335,764, leaves a budget gap of over \$900,000. Further, since the Town used about \$800,000 in Free Cash to balance the FY 23 budget, the actual FY 24 budget deficit is more than \$1,800,000 (less the use of \$100,000 in Free Cash) for a projected deficit of \$1,766,800.

To close this deficit and achieve a Balanced Budget, the following budget reductions will be recommended at the Town Meeting:

| FY 24 BUDGET | FY 24 Level | FY 24 Balanced | Difference |
|----------------|--------------|----------------|--------------------|
| GENERAL GOV. | \$1,356,153 | \$1,266,288 | (\$89,865) |
| PUBLIC SAFETY | \$3,679,867 | \$3,639,362 | (\$40,505) |
| EDUCATION | \$13,970,866 | \$12,928,866 | (\$1,042,000) |
| PUBLIC WORKS | \$1,176,431 | \$1,093,051 | (\$83,380) |
| HUMAN SERVICES | \$932,921 | \$803,330 | (\$129,591) |
| CULTURE & REC | \$404,404 | \$22,945 | <u>(\$381,459)</u> |
| | | | (\$1,766,800) |

This balanced budget would have the following impacts on the community:

- School: Loss of teachers, sports programs, transportation services, and more
- Library: The Library would be closed
- Council on Aging: The Senior Center would be closed.
- Parks Department: No summer programs

Two FY 24 budgets will be presented at the May 16 Annual Town Meeting – one for a balanced budget as outlined above and the other a Contingent budget that will go

into effect only if approved at the Town Meeting and a Proposition 2½ Override of \$1,350,000 at the Special Election on May 23rd.

The Town Meeting will make the final decision regarding both budgets, and must approve a balanced budget; that is, a budget that does not exceed FY 24 projected revenues. They will also decide if they wish to approve a contingent budget that would increase the tax revenues by \$1,350,000.

If the contingent budget is approved at the Town Meeting and by the voters at the Special Election, then the contingent budget will go into effect July 1, 2023, as follows:

- The Library budget restored, and Library remains open.
- The Council on Aging budget restored, and COA remains open.
- The Parks Department budget restored, and programs continue.
- The School Department budget increased by \$810,000.

If the Override is not approved the balanced budget goes into effect on July 1, 2023.

Please exercise your right to vote at the Town meeting and both Elections. It is your government and your choice.